

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7428

BILL NUMBER: SB 442

NOTE PREPARED: Jan 5, 2007

BILL AMENDED:

SUBJECT: Alcoholic Beverage Displays.

FIRST AUTHOR: Sen. Delph

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: *Definition of Grocery Store:* This bill defines "grocery store" for purposes of the law concerning alcohol and tobacco. The bill allows the Alcohol and Tobacco Commission to renew or transfer ownership of a beer dealer's permit for a beer dealer who: (1) held a permit before July 1, 2007; and (2) does not qualify for a permit as a grocery store under the definition of "grocery store".

Alcohol Sales in Designated Areas: The bill requires a dealer permittee (other than a package liquor store) to display alcohol in a clearly designated area where the presence of a minor is prohibited without a parent or guardian who is at least 21 years of age.

Effective Date: July 1, 2007.

Explanation of State Expenditures: *Definition of Grocery Store:* These provisions of the bill will have an administrative impact on the Alcohol and Tobacco Commission (ATC) by requiring them to amend forms and procedures relating to issuance of beer dealer permits. It is anticipated that the provisions of this bill could be implemented through the use of existing staff and resources.

Alcohol Sales in Designated Areas: These provisions of the bill will cause an increase in administrative costs for the Alcohol and Tobacco Commission (ATC) by requiring the ATC to amend rules, forms, and Excise Police enforcement procedures. It is anticipated that the ATC could implement the provisions of this bill through the use of existing staff and resources.

Explanation of State Revenues: *Definition of Grocery Store:* This bill defines grocery store as a store or a part of a store that:

- (1) has the primary North American Industry Classification System (NAICS) classification 445110 or 452910; and
- (2) is primarily engaged in the retail sale of a general food line, which may include:
 - (A) canned and frozen foods;
 - (B) dry goods, including tea, coffee, sugar, and flour;
 - (C) fresh fruits and vegetables; and
 - (D) fresh and prepared meats.

This bill could result in a decrease in beer dealer permit fee revenue in FY 2008. The decrease in fee revenue will ultimately depend on the administrative actions of the ATC because the bill gives the ATC the option of renewing or transferring ownership of a beer dealer's permit for a grocery store held by a permittee who falls outside the definition of grocery store in the bill. Therefore, the total number of permits issued may not decrease.

Alcohol Sales in Designated Areas: This bill requires a dealer permittee (other than a package liquor store) to display alcohol in a clearly designated area where the presence of a minor is prohibited without a parent or guardian who is at least 21 years of age. This provision of the bill will only have a fiscal impact to the extent that alcohol sales are affected by the display requirements set forth in the bill (also see *Background* section below). The impact of this bill on state revenues is indeterminable. This bill could decrease dealer permit fee revenue, as well as Sales Tax and Alcoholic Beverage Tax collections.

Background: According to the ATC there are approximately 1,240 grocery store beer dealer permits issued under IC 7.1-3-5-2. It is estimated that approximately 200 to 300 of these permittees would fall outside the bill's definition of grocery store. This estimate assumes that the ratio of permittees falling outside the definition in the bill is the same ratio estimated by the 2002 Economic Census statistics for the ratio of convenience stores (NAICS code 445120) to both grocery stores (other than convenience stores) (NAICS code 445110) and warehouse clubs and superstores (NAICS code 452910).

To the extent that any of the provisions of this bill affect alcoholic beverage sales, state revenues will be impacted. Sales changes will affect collections of both alcoholic beverage excise taxes and the Sales Tax. The alcoholic beverage excise taxes are distributed in varying amounts to the following funds: state General Fund, the Post War Construction Fund, the ATC Enforcement and Administration Fund, the Addiction Services Fund, and the Wine Grape Market Development Fund. The state retains 50% of the General Fund distribution of beer and wine excise tax revenue. The remainder is distributed to cities and towns based on population. Sales Tax revenue is deposited in the: Property Tax Replacement Fund (50%), the state General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%).

Explanation of Local Expenditures:

Explanation of Local Revenues: To the extent that any of the provisions of this bill affect alcoholic beverage sales, local revenues will be impacted. Sales changes will affect collections of both alcoholic beverage excise taxes and the Sales Tax. The alcoholic beverage excise taxes are distributed in varying amounts to the state General Fund. The state retains 50% of the General Fund distribution of beer and wine excise tax revenue. The remainder is distributed to cities and towns based on population. Sales Tax revenue is deposited in the: Property Tax Replacement Fund (50%), the state General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%).

State Agencies Affected: Alcohol and Tobacco Commission.

Local Agencies Affected:

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